

A PERIOD OF ARMED TRUCE

not infrequently, espionage activity for Soviet secret police.¹³ The result of this Soviet pressure was quick: in 1927 Iran concluded a commercial treaty with Russia. The treaty, accompanied by a fisheries convention, established a net-balance principle in the trade between both countries and introduced a system of barter transactions. Fifty per cent of Iranian exports to Russia could be handled by private Iranian firms, but at least 25 per cent of these had to be offered first to the Soviet trade organs in Iran. The other 50 per cent of Iranian exports were reserved exclusively to the Soviet trade representations. As regards imports from Russia, several categories of goods were expressly reserved for marketing by Soviet trade organs in Iran. They included such important items as oil and oil products, grain, manufactured metal goods, valuable skins and furs, and arms and munitions.

In this way Soviet trade authorities in Iran obtained quite a privileged position, which enabled them to exert a strong influence on conditions in the Iranian market. The Soviet share of Iranian foreign trade rose from 23 per cent in 1926-1927 to more than 38 per cent in 1928-1929. On the whole, Iranian merchants were irritated by these restrictions and complained that their interests were jeopardized. The most common complaint was that Soviet trade representatives were holding merchandise so long as to cause undue increases in prices. When, owing to great demand, Iranian merchants turned to other countries and signed contracts, the Soviet trade organs would release suddenly their commodities, dictate their prices, and severely hurt those merchants who had already entered into deals with foreign

firms.

On the other hand, artificially reduced Soviet prices (sometimes below the cost of production) ruined the development of native Iranian industry. In Iran both private concerns and the government attempted to found sugar, textile, cement, match, and other industries, but difficulties were encountered owing to Soviet dumping practices. As a concrete example a match factory in Tabriz was quoted. Artificial Soviet competition compelled the factory to shut down, but, as soon as the native industry was eliminated, the price of Soviet imported matches rose perceptibly.

i» Georges Agabekov, *OGPU, the Russian Secret Terror* (New York, 1931).